

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Allouez Township	County Keweenaw
Fiscal Year End 3/31/2007	Opinion Date 8/31/2007	Date Audit Report Submitted to State 9/14/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

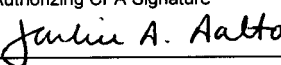
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☒ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☒ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Jackie A. Aalto, CPA		Telephone Number (906) 227-2727	
Street Address 200 Fifth Street, Suite 104		City Calumet	State MI
Authorizing CPA Signature 		Printed Name Jackie A. Aalto	Zip 49913
		License Number 1101022394	

**ALLOUEZ TOWNSHIP, MICHIGAN**  
**Keweenaw County**

**FINANCIAL REPORT**

**Year ended March 31, 2007**

**ALLOUEZ TOWNSHIP, MICHIGAN**  
**FINANCIAL REPORT**  
**Year ended March 31, 2007**

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## INDEPENDENT AUDITOR'S REPORT

### Board Members

Allouez Township, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Allouez Township, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Allouez Township, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

The procedures used to collect cash receipts from sales and donations at the park and ice rink and the lack of evidential matter with respect to those cash receipts, do not permit me to apply auditing procedures to satisfy myself as to the reasonableness of such cash receipts stated in the accompanying financial statements.

Management has not included the Volunteer Firemen's Fund in the Township's financial statements. Accounting principles generally accepted in the United States of America require the Volunteer Firemen's Fund to be presented as a special revenue fund and financial information about the Volunteer Firemen's Fund to be part of the governmental activities, thus increasing that activity's assets, liabilities, revenues, and expenses, and changes in net assets. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the governmental activities is not reasonably determinable.

In my opinion, except for the effects on the financial statements of such adjustments, if any, as might have been determined to be necessary had I been able to examine sufficient evidence regarding cash receipts described in paragraph three above, and except for the effects on the

financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Allouez Township, Michigan, as of March 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 31, 2007, on my consideration of Allouez Township, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 11 and 32 through 34, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Allouez Township, Michigan's basic financial statements. The accompanying other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Jackie A. Aalto, CPA

Calumet, Michigan  
August 31, 2007

## ALLOUEZ TOWNSHIP, MICHIGAN

### Management's Discussion and Analysis

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As management of Allouez Township, Michigan ("the Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2007. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

#### Financial Highlights

- The assets of the Township exceeded its liabilities at the close of this fiscal year by \$3,412,183 (net assets). Of this amount \$255,196 (unrestricted net assets) may be used to meet the Township's ongoing obligations to citizens and creditors.
- The Township's total net assets decreased by \$19,473.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$265,967, an increase of \$35,228 in comparison with the prior year. Approximately 65% of this total amount, \$173,773, is *available for spending* at the Township's discretion (*unreserved, undesignated fund balance*).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$137,246, or 82 percent of total general fund expenditures.
- The Township's total debt decreased by \$22,000 during the current fiscal year. The Township did not incur any new debt during the current fiscal year.

#### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and

expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or most of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, sanitation, recreation and culture, and cemetery operations. The business-type activity of the Township includes the operations of the sewer system.

The government-wide financial statements can be found on pages 12 and 13 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains five individual governmental funds. Information is presented separately in the government fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Fund and Sanitation Fund, all of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Township adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14 - 16 of this report.

**Proprietary funds.** The Township maintains one type of proprietary fund. The enterprise fund is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses the enterprise fund to account for the operations of its sewer system.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the

Sewer Fund, the only enterprise fund of the Township. The Sewer Fund is considered to be a major fund of the Township.

The basic proprietary fund financial statements can be found on pages 17 - 19 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 20 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 - 30 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* that explains and supports the information presented in the financial statements. This information can be found on pages 32 - 34 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining fund statements can be found on pages 36 and 37 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceed liabilities by \$3,412,183 at the close of the most recent fiscal year.

By far the largest portion of the Township's net assets (89%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and the sewer system), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Allouez Township, Michigan's Net Assets (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	<u>3/31/07</u>	<u>3/31/06</u>	<u>3/31/07</u>	<u>3/31/06</u>	<u>3/31/07</u>	<u>3/31/06</u>
Current and other assets	\$ 343.3	\$ 306.0	\$ 110.4	\$ 84.8	\$ 453.7	\$ 390.8
Capital assets	<u>792.9</u>	<u>792.2</u>	<u>2,508.4</u>	<u>2,610.8</u>	<u>3,301.3</u>	<u>3,403.0</u>
Total Assets	<u>1,136.2</u>	<u>1,098.2</u>	<u>2,618.8</u>	<u>2,695.6</u>	<u>3,755.0</u>	<u>3,793.8</u>



Long-term liabilities outstanding	0	17.0	266.0	271.0	266.0	288.0
Other liabilities	<u>71.8</u>	<u>69.0</u>	<u>5.0</u>	<u>5.1</u>	<u>76.8</u>	<u>74.1</u>
Total Liabilities	<u>71.8</u>	<u>86.0</u>	<u>271.0</u>	<u>276.1</u>	<u>342.8</u>	<u>362.1</u>
Net Assets:						
Invested in capital asset, net of related debt	792.9	775.2	2,242.3	2,339.8	3,035.2	3,115.0
Restricted	80.4	51.1	41.2	35.2	121.6	86.3
Unrestricted	<u>191.1</u>	<u>185.9</u>	<u>64.3</u>	<u>44.5</u>	<u>255.4</u>	<u>230.4</u>
Total Net Assets	<u>\$ 1,064.4</u>	<u>\$ 1,012.2</u>	<u>\$ 2,347.8</u>	<u>\$ 2,419.5</u>	<u>\$ 3,412.2</u>	<u>\$ 3,431.7</u>

An additional portion of the Township's net assets (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (8% or \$255,196) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The Township's net assets have decreased by \$19,473 during the current fiscal year. Governmental activities increased the Township's net assets by \$52,229. Business-type activities decreased the Township's net assets by \$71,702. This decrease is the result of depreciation expense of \$102,855. Key elements are as follows:

**Allouez Township's Changes in Net Assets**  
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	<u>3/31/07</u>	<u>3/31/06</u>	<u>3/31/07</u>	<u>3/31/06</u>	<u>3/31/07</u>	<u>3/31/06</u>
Revenues:						
Program revenues:						
Charges for services	\$ 96.7	\$ 89.0	\$ 84.5	\$ 85.8	\$ 181.2	\$ 174.8
Operating grants & contributions	14.6	16.8			14.6	16.8
Capital grants & contributions	6.8	175.5			6.8	175.5
General revenues:						
Property taxes	93.6	79.3			93.6	79.3
State-shared revenues	101.4	102.5			101.4	102.5
Other	<u>10.6</u>	<u>4.6</u>	<u>2.4</u>	<u>.7</u>	<u>13.0</u>	<u>5.3</u>
Total Revenues	<u>323.7</u>	<u>467.7</u>	<u>86.9</u>	<u>86.5</u>	<u>410.6</u>	<u>554.2</u>
Expenses:						
General government	106.9	103.5			106.9	103.5
Public safety	44.5	42.2			44.5	42.2
Public works	24.6	22.1			24.6	22.1
Sanitation	87.2	75.3			87.2	75.3
Recreation & culture	4.6	5.3			4.6	5.3
Cemetery	3.6	4.8			3.6	4.8
Interest on long-term debt	.1	3.5			.1	3.5
Sewer			<u>158.6</u>	<u>158.9</u>	<u>158.6</u>	<u>158.9</u>
Total Expenses	<u>271.5</u>	<u>256.7</u>	<u>158.6</u>	<u>158.9</u>	<u>430.1</u>	<u>415.6</u>

Change in net assets	52.2	211.0	(71.7)	(72.4)	(19.5)	138.6
Net Assets – Beginning	<u>1,012.2</u>	<u>801.2</u>	<u>2,419.5</u>	<u>2,491.9</u>	<u>3,431.7</u>	<u>3,293.1</u>
Net assets – Ending	<u>\$ 1,064.4</u>	<u>\$ 1,012.2</u>	<u>\$ 2,347.8</u>	<u>\$ 2,419.5</u>	<u>\$ 3,412.2</u>	<u>\$ 3,431.7</u>

The most significant portion of the revenues for all governmental activities of the Township comes from state shared revenues. State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the state sales tax. During the year, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary cuts by the State in revenue sharing payments.

Charges for services are a major source of revenue. A significant portion of this revenue comes from sanitation fees charged to Township residents.

Property taxes are a major source of revenue. The Township's operating millage was 3.2416, which includes 2.000 mills for fire apparatus.

The most significant portion of the expenses for all governmental activities of the Township is for general government. These expenses represent the Township hall activities. Sanitation expenses represent a major source of expenses for the government and include the cost of providing sanitation services to the Township residents.

### **Financial Analysis of the Government's Funds**

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$265,967. Approximately 65% of this total amount (\$173,773) constitutes unreserved, undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed to pay for a variety of restricted other purposes.

The General Fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$137,246, while total fund balance was \$149,014. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 83% of total General Fund expenditures, while total fund balance represents 90% of that same amount.

The fund balance of the Township's General Fund has increased by \$18,231 during the current fiscal year.

**Proprietary funds.** The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Net assets at the end of the year amounted to \$2,347,794. Of this amount, \$2,242,378 was invested in capital assets, net of related debt. \$41,240 was restricted for debt service and \$64,176 was unrestricted.

### General Fund Budgetary Highlights

During the year there was no change in total appropriations between the original and final amended budget.

### Capital Asset and Debt Administration

**Capital Assets.** The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2007, amounts to \$3,301,321 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities and the sewer system. The more significant capital asset purchases during the current year included surveys done on all of the Township's properties and various computer equipment.

#### Allouez Township, Michigan's Capital Assets (net of depreciation) (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	<u>3/31/07</u>	<u>3/31/06</u>	<u>3/31/07</u>	<u>3/31/06</u>	<u>3/31/07</u>	<u>3/31/06</u>
Land	\$ 369.2	\$ 357.3	\$ 77.1	\$ 77.1	\$ 446.3	\$ 434.4
Buildings & site improvements	154.0	159.0			154.0	159.0
Machinery & equipment	252.2	255.7	.4		252.6	255.7
Vehicles	17.5	20.2			17.5	20.2
Sewer system			2,430.9	2,533.7	2,430.9	2,533.7
Total Assets	<u>\$ 792.9</u>	<u>\$ 792.2</u>	<u>\$ 2,508.4</u>	<u>\$ 2,610.8</u>	<u>\$ 3,301.3</u>	<u>\$ 3,403.0</u>

Additional information on the Township's capital assets can be found in note III B on page 28 of this report.

**Long-term debt.** At the end of the current fiscal year, the Township had total debt of \$266,000. The Township's debt represents bonds secured solely by the specified revenue sources (i.e. revenue bonds).

#### Allouez Township's Outstanding Debt General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total	
	<u>3/31/07</u>	<u>3/31/06</u>	<u>3/31/07</u>	<u>3/31/06</u>	<u>3/31/07</u>	<u>3/31/06</u>
Loan	\$	\$ 17,000	\$	\$	\$	\$ 17,000
Revenue bonds			266,000	271,000	266,000	271,000
Total	<u>\$</u>	<u>\$ 17,000</u>	<u>\$ 266,000</u>	<u>\$ 271,000</u>	<u>\$ 266,000</u>	<u>\$ 288,000</u>

The Township's total debt has decreased by \$22,000 during the current year.

Additional information on the Township's long-term debt can be found in note III C on page 29 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The major concern for the budgets in the Township is the continuing State financial woes which make their way down, level by level, such as the decrease in revenue sharing funds that are available every year. It necessitates trimming the budget yearly.

The major 2007-2008 highlight is the raising of the sanitation rates for Township residents. Waste Management has added a monthly fuel surcharge which caused us to seek a rate increase which will hopefully cover the increase.

### **Request for Information**

This financial report is intended to provide a general overview of the Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Allouez Township, PO Box 64, 102 Second Street, Mohawk, Michigan 49950.

# ALLOUEZ TOWNSHIP, MICHIGAN

## Statement of Net Assets

March 31, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash	\$ 322,110	\$ 45,392	\$ 367,502
Receivables, net	21,189	19,566	40,755
Restricted cash		45,479	45,479
Capital assets not being depreciated	369,247	77,068	446,315
Capital assets being depreciated, net	<u>423,696</u>	<u>2,431,310</u>	<u>2,855,006</u>
Total Assets	<u>1,136,242</u>	<u>2,618,815</u>	<u>3,755,057</u>
<b>Liabilities</b>			
Accounts payable & other current liabilities	14,848	782	15,630
Interest payable		4,239	4,239
Unearned revenue	57,005		57,005
Noncurrent liabilities:			
Due within one year		6,000	6,000
Due in more than one year	<u></u>	<u>260,000</u>	<u>260,000</u>
Total Liabilities	<u>71,853</u>	<u>271,021</u>	<u>342,874</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	792,943	2,242,378	3,035,321
Restricted for:			
Fire apparatus	80,426		80,426
Debt service		41,240	41,240
Unrestricted	<u>191,020</u>	<u>64,176</u>	<u>255,196</u>
Total Net Assets	<u>\$ 1,064,389</u>	<u>\$ 2,347,794</u>	<u>\$ 3,412,183</u>

The notes to the financial statements are an integral part of this statement.

# ALLOUEZ TOWNSHIP, MICHIGAN

## Statement of Activities

Year ended March 31, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary Government</b>							
Governmental Activities:							
General government	\$ 106,939	\$ 13,980	\$ 11,275	\$ 6,792	\$ (74,892)	\$	\$ (74,892)
Public safety	44,495	1,500	729		(42,266)		(42,266)
Public works	24,609		2,572		(22,037)		(22,037)
Sanitation	87,208	77,191			(10,017)		(10,017)
Recreation & culture	4,546				(4,546)		(4,546)
Cemetery	3,619	4,000			381		381
Interest on long-term debt	<u>95</u>				<u>(95)</u>		<u>(95)</u>
Total Governmental Activities	271,511	96,671	14,576	6,792	(153,472)		(153,472)
Business-type Activities:							
Sewer	<u>158,568</u>	<u>84,503</u>				<u>(74,065)</u>	<u>(74,065)</u>
Total Primary Government	<u>\$ 430,079</u>	<u>\$ 181,174</u>	<u>\$ 14,576</u>	<u>\$ 6,792</u>	<u>(153,472)</u>	<u>(74,065)</u>	<u>(227,537)</u>
General Revenues							
Property taxes					93,578		93,578
State-shared revenues					101,408		101,408
Unrestricted investment earnings					<u>10,715</u>	<u>2,363</u>	<u>13,078</u>
Total General Revenues					<u>205,701</u>	<u>2,363</u>	<u>208,064</u>
Change in Net Assets					52,229	(71,702)	(19,473)
Net Assets – Beginning					<u>1,012,160</u>	<u>2,419,496</u>	<u>3,431,656</u>
Net Assets – Ending					<u>\$ 1,064,389</u>	<u>\$ 2,347,794</u>	<u>\$ 3,412,183</u>

The notes to the financial statements are an integral part of this statement.

**ALLOUEZ TOWNSHIP, MICHIGAN**

**Balance Sheet  
Governmental Funds**

**March 31, 2007**

	<u>General</u>	<u>Fire</u>	<u>Sanitation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash	\$ 154,734	\$ 77,586	\$ 73,408	\$ 16,382	\$ 322,110
Receivables, net:					
Current tax levy	2,942	4,443			7,385
Delinquent taxes	646	1,457			2,103
Accounts			10,443		10,443
Intergovernmental receivables	<u>494</u>	<u>764</u>	<u>          </u>	<u>          </u>	<u>1,258</u>
Total Assets	<u>\$ 158,816</u>	<u>\$ 84,250</u>	<u>\$ 83,851</u>	<u>\$ 16,382</u>	<u>\$ 343,299</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 3,976	\$ 50	\$ 6,638	\$ 24	\$ 10,688
Accrued liabilities	4,121		39		4,160
Deferred revenues - taxes	1,705	3,774			5,479
Unearned revenue	<u>          </u>	<u>          </u>	<u>57,005</u>	<u>          </u>	<u>57,005</u>
Total Liabilities	<u>9,802</u>	<u>3,824</u>	<u>63,682</u>	<u>24</u>	<u>77,332</u>
<b>Fund Balances</b>					
Reserved for:					
Public works	11,768				11,768
Fire apparatus		80,426			80,426
Unreserved, undesignated reported in:					
General fund	137,246				137,246
Special revenue funds	<u>          </u>	<u>          </u>	<u>20,169</u>	<u>16,358</u>	<u>36,527</u>
Total Fund Balances	<u>149,014</u>	<u>80,426</u>	<u>20,169</u>	<u>16,358</u>	<u>265,967</u>
Total Liabilities and Fund Balances	<u>\$ 158,816</u>	<u>\$ 84,250</u>	<u>\$ 83,851</u>	<u>\$ 16,382</u>	
Amounts reported for governmental activities in the statement of net assets are difference because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					792,943
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.					<u>5,479</u>
Net assets of governmental activities					<u>\$1,064,389</u>

The notes to the financial statements are an integral part of this statement.

**ALLOUEZ TOWNSHIP, MICHIGAN**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds**

**Year ended March 31, 2007**

	<u>General</u>	<u>Fire</u>	<u>Sanitation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes	\$ 43,716	\$ 50,831	\$	\$	\$ 94,547
Intergovernmental revenue					
Federal	6,792				6,792
State	106,105	1,610			107,715
Charges for services	10,005		77,191	4,000	91,196
Interest & rents	13,029	1,427	1,287	447	16,190
Other revenue	<u>4,863</u>	<u>200</u>	<u></u>	<u>3,206</u>	<u>8,269</u>
Total Revenues	<u>184,510</u>	<u>54,068</u>	<u>78,478</u>	<u>7,653</u>	<u>324,709</u>
<b>Expenditures</b>					
Current					
General government	93,658				93,658
Public safety	22,816	7,420			30,236
Public works	21,160				21,160
Sanitation			87,208		87,208
Recreation & culture	212			2,186	2,398
Cemetery				3,340	3,340
Other	9,248				9,248
Debt service					
Principal		17,000			17,000
Interest		297			297
Capital outlay	<u>19,185</u>	<u></u>	<u></u>	<u>5,751</u>	<u>24,936</u>
Total Expenditures	<u>166,279</u>	<u>24,717</u>	<u>87,208</u>	<u>11,277</u>	<u>289,481</u>
<b>Net Change in Fund Balances</b>	18,231	29,351	(8,730)	(3,624)	35,228
<b>Fund Balances – Beginning</b>	<u>130,783</u>	<u>51,075</u>	<u>28,899</u>	<u>19,982</u>	
<b>Fund Balances – Ending</b>	<u>\$ 149,014</u>	<u>\$ 80,426</u>	<u>\$ 20,169</u>	<u>\$ 16,358</u>	

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

768

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the amount by which deferred revenue decreased during the current year.

(969)



ALLOUEZ TOWNSHIP, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)  
Governmental Funds

Year ended March 31, 2007

	<u>General</u>	<u>Fire</u>	<u>Sanitation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Repayments of debt principal is an expenditure in the governmental funds, but not in the statement of activities.					17,000
Interest expense reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.					<u>202</u>
Change in net assets of governmental activities					<u>\$ 52,229</u>

The notes to the financial statements are an integral part of this statement.

ALLOUEZ TOWNSHIP, MICHIGAN

Statement of Net Assets  
Proprietary Fund

March 31, 2007

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	Business-type Activities Enterprise Fund Sewer Fund
<b>Assets</b>	
Current Assets:	
Cash	\$ 45,392
Accounts receivable, net	<u>19,566</u>
Total Current Assets	<u>64,958</u>
Noncurrent Assets:	
Restricted cash – revenue bond covenants	45,479
Capital assets not being depreciated	77,068
Capital asset being depreciated, net	<u>2,431,310</u>
Total Noncurrent Assets	<u>2,553,857</u>
Total Assets	<u>2,618,815</u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts payable	478
Accrued liabilities	304
Interest payable	4,239
Revenue bonds payable – current	<u>6,000</u>
Total Current Liabilities	11,021
Noncurrent Liabilities:	
Revenue bonds payable	<u>260,000</u>
Total Liabilities	<u>271,021</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	2,242,378
Restricted for debt service	41,240
Unrestricted	<u>64,176</u>
Total Net Assets	<u>\$ 2,347,794</u>

The notes to the financial statements are an integral part of this statement.

**ALLOUEZ TOWNSHIP, MICHIGAN**

**Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Fund**

**Year ended March 31, 2007**

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	Business-type Activities Enterprise Fund <u>Sewer Fund</u>
<b>Operating Revenues</b>	
Sewer charges	\$ <u>84,503</u>
<b>Operating Expenses</b>	
Wages & payroll taxes	6,064
Administration	1,960
Insurance	6,369
Utilities	4,103
Supplies & maintenance	18,183
Miscellaneous	1,997
Depreciation	<u>102,855</u>
Total Operating Expenses	<u>141,531</u>
Operating Loss	<u>(57,028)</u>
<b>Nonoperating Revenues (Expenses)</b>	
Interest income	2,363
Interest expense	<u>(17,037)</u>
Total Nonoperating Revenues (Expenses)	<u>(14,674)</u>
<b>Changes in Net Assets</b>	(71,702)
<b>Net Assets – Beginning</b>	<u>2,419,496</u>
<b>Net Assets – Ending</b>	<u>\$ 2,347,794</u>

The notes to the financial statements are an integral part of this financial statement.

ALLOUEZ TOWNSHIP, MICHIGAN

Statement of Cash Flows  
Proprietary Fund

Year ended March 31, 2007

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	Business-type Activities Enterprise Fund Sewer Fund
	<hr/>
<b>Cash Flows from Operating Activities</b>	
Receipts from users	\$ 83,215
Payments to suppliers	(32,737)
Payments to employees	<u>(6,014)</u>
Net cash provided by operating activities	<u>44,464</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchase of capital assets	(387)
Principal paid on revenue bonds	(5,000)
Interest paid on revenue bonds	<u>(17,117)</u>
Net cash used by capital and related financing activities	<u>(22,504)</u>
<b>Cash Flows from Investing Activities</b>	
Interest	<u>2,363</u>
Net increase in cash & restricted cash	24,323
<b>Cash &amp; Restricted Cash – Beginning</b>	<u>66,548</u>
<b>Cash &amp; Restricted Cash – Ending</b>	<u>\$ 90,871</u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss	\$ (57,028)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	102,855
(Increase) decrease in accounts receivables	(1,288)
Increase (decrease) in accounts payable	(125)
Increase (decrease) in accrued liabilities	<u>50</u>
Net cash provided by operating activities	<u>\$ 44,464</u>

The notes to the financial statements are an integral part of this statement.

**ALLOUEZ TOWNSHIP, MICHIGAN**

**Statement of Net Assets  
Fiduciary Fund**

**March 31, 2007**

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	<u>Agency Funds</u>
<b>Assets</b>	
Cash	<u>\$ 19,368</u>
<b>Liabilities</b>	
Intergovernmental payables	<u>\$ 19,368</u>

The notes to the financial statements are an integral part of this statement.

# ALLOUEZ TOWNSHIP, MICHIGAN

## Notes to Financial Statements

March 31, 2007

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### **I. Summary of Significant Accounting Policies**

#### **A. Reporting Entity**

The Township is governed by an elected five member board consisting of a supervisor, clerk, treasurer and two trustees. The Township provides services to its residents in many areas including fire protection, solid waste disposal, sanitation, recreation and community enrichment.

GASB Statement No. 14, *The Financial Reporting Entity*, as amended, contains the standards for defining the governmental financial reporting entity and for identifying which legally separate entities are component units that should be included with another government (usually a primary government) in a financial reporting entity's financial statements. Requirements for including component units are based primarily on the concept of financial accountability. A primary government is financially accountable if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The Township has no component units.

An association which meets the criteria for including its financial activity in the Township's basic financial statements is the Volunteer Firemen's Fund. Since the Volunteer Firemen's Fund is not a separate legal entity, and money raised thereof is done in the name of the Township, the financial activity of the fund should be a part of the Township reporting entity. This financial activity is not available for audit and thereof is not included in this financial report.

#### **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

# ALLOUEZ TOWNSHIP, MICHIGAN

## Notes to Financial Statements

March 31, 2007

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Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for property tax revenues that are restricted for repairs, maintenance or replacement of fire department vehicles and equipment.

The *Sanitation Fund* accounts for the activities of the Township's garbage removal operations.

# ALLOUEZ TOWNSHIP, MICHIGAN

## Notes to Financial Statements

March 31, 2007

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The Township reports the following major proprietary fund:

The *Sewer Fund* accounts for the activity of the Township's sewer system.

Additionally, the Township reports the following nonmajor governmental funds: Recreation and Cemetery.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Township has elected to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's sewer function and various other functions of the Township. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Township's enterprise fund are charges to customers for services. Operating expenses for the enterprise fund includes cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.



# ALLOUEZ TOWNSHIP, MICHIGAN

## Notes to Financial Statements

March 31, 2007

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### **D. Assets, Liabilities, and Net Assets or Equity**

#### **1. Deposits**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The Township did not have any short-term investments at March 31, 2007.

#### **2. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

When applicable, advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied as of December 1<sup>st</sup> and are payable by February 14 of each year, at which time all unpaid taxes become delinquent. Delinquent real property taxes are collected by the County. Delinquent personal property taxes continue to be collected by the Township.

The 2006 taxable valuation of the Township totaled \$25,488,541, on which ad valorem taxes levied consisted of 1.2416 mills for operating purposes and 2.0000 mills for fire apparatus. This resulted in \$31,605 for operating and \$48,405 for fire apparatus. These amounts are recognized in the respective General and Special Revenue Fund financial statements as taxes receivable – current or as tax revenue.

#### **3. Restricted Cash**

Certain proceeds of the Township's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted cash on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "bond and interest redemption" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "bond

# ALLOUEZ TOWNSHIP, MICHIGAN

## Notes to Financial Statements

March 31, 2007

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reserve” account is used to report resources set aside to make up potential future deficiencies in the revenue bond current debt service account. The “repairs and construction” account and “improvement” account are used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

### 4. *Capital Assets*

Capital assets, which include property, plant, equipment, and the sewer system, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years, and all computer and office equipment. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no interest expense was capitalized as part of the cost of assets under construction.

Property, plant, equipment and the sewer system are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20 to 50 years
Site Improvements	10 to 20 years
Sewer System	40 to 60 years
Vehicles	5 to 25 years
Office Equipment & Furnishings	7 to 15 years

### 5. *Long-Term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt

# ALLOUEZ TOWNSHIP, MICHIGAN

## Notes to Financial Statements

March 31, 2007

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issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **6. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **7. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **II. Stewardship, Compliance and Accountability**

### **A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, function, and department. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the activity level. Encumbrance accounting is not employed in the governmental funds.

### **B. Excess of Expenditures over Appropriations**

For the year ended March 31, 2007, expenditures exceeded appropriations in the Fire, Sanitation, and Cemetery Funds by \$417, \$7,833, and \$4,149, respectively. These over expenditures were funded by greater than anticipated revenues in the Fire Fund and fund balances in the Sanitation and Cemetery Funds.

# ALLOUEZ TOWNSHIP, MICHIGAN

## Notes to Financial Statements

March 31, 2007

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### C. Failure of the State Tax Commission's Standardized 14-Point Review of Local Unit Assessment Administration Practices, Procedures and Records

The Township has been notified by the State Tax Commission that the assessment administration practices, procedures and records are in substantial noncompliance with the provisions of the 1963 Michigan Constitution (as amended), the General Property Tax Act (PA206 of 1893, as amended) and State Tax Commission policies and procedures. The State Tax Commission has established requirements for the Township to rectify this noncompliance and has instructed the Township that a reappraisal is to be completed in time for the 2008 assessment roll.

### III. Detailed Notes on all Funds

#### A. Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township has designated two banks for the deposit of Township funds. The investment policy adopted by the board is in accordance with Public Act 196 of 1997. The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits were reported in the basic financial statements in the following categories (the Township has no investments):

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash	\$ 322,110	\$ 45,392	\$ 367,502
Restricted cash	<u>                    </u>	<u>45,479</u>	<u>45,479</u>
Total	<u>\$ 322,110</u>	<u>\$ 90,871</u>	<u>\$ 412,981</u>

# ALLOUEZ TOWNSHIP, MICHIGAN

## Notes to Financial Statements

March 31, 2007

*Custodial credit risk* – In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2007 \$122,919 of the Township's bank balance of \$435,804 was exposed to custodial credit risk because it was uninsured and uncollateralized.

### B. Capital Assets

Capital asset activity for the year ended March 31, 2007 was as follows:

#### Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 357,338	\$ 11,909	\$	\$ 369,247
Capital assets being depreciated:				
Buildings & site improvements	238,978			238,978
Machinery & equipment	319,313	13,027		332,340
Vehicles	<u>27,432</u>	<u></u>	<u></u>	<u>27,432</u>
Total capital assets being depreciated	<u>585,723</u>	<u>13,027</u>	<u></u>	<u>598,750</u>
Accumulated depreciation:				
Building & site improvements	(80,005)	(4,987)		(84,992)
Machinery & equipment	(63,684)	(16,438)		(80,122)
Vehicles	<u>(7,197)</u>	<u>(2,743)</u>	<u></u>	<u>(9,940)</u>
Total accumulated depreciation	<u>(150,886)</u>	<u>(24,168)</u>	<u></u>	<u>(175,054)</u>
Total capital assets being depreciated, net	<u>434,837</u>	<u>(11,141)</u>	<u></u>	<u>423,696</u>
Governmental activities capital assets, net	<u>\$ 792,175</u>	<u>\$ 768</u>	<u>\$</u>	<u>\$ 792,943</u>

#### Business-type Activities

Capital assets not being depreciated				
Land	\$ 77,068	\$	\$	\$ 77,068
Capital assets being depreciated:				
Sewer system	4,113,672			4,113,672
Machinery & equipment	<u>40,238</u>	<u>387</u>	<u></u>	<u>40,625</u>
Total capital assets being depreciated	<u>4,153,910</u>	<u>387</u>	<u></u>	<u>4,154,297</u>

# ALLOUEZ TOWNSHIP, MICHIGAN

## Notes to Financial Statements

March 31, 2007

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Accumulated depreciation:				
Sewer system	(1,579,894)	(102,842)		(1,682,736)
Machinery & equipment	<u>(40,238)</u>	<u>(13)</u>		<u>(40,251)</u>
Total accumulated depreciation	<u>(1,620,132)</u>	<u>(102,855)</u>		<u>(1,722,987)</u>
Total capital assets being depreciated, net	<u>2,533,778</u>	<u>(102,468)</u>		<u>2,431,310</u>
Business-type activities capital assets, net	<u>\$ 2,610,846</u>	<u>\$(102,468)</u>	<u>\$</u>	<u>\$ 2,508,378</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

### Governmental Activities

General government	\$ 4,033
Public safety	14,259
Public works	3,449
Recreation & culture	2,148
Cemetery	<u>279</u>

Total depreciation expense – governmental activities \$ 24,168

### Business-type Activities

Sewer	<u>\$ 102,855</u>
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## C. Long-Term Debt

General obligation bonds and loans are direct obligations and pledge the full faith and credit of the Township. Revenue bonds typically involve a pledge from the government of income derived from the acquired or constructed assets to pay for the debt service.

Long-term debt can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>							
\$157,500 Rural Development – Fire Truck	4.75%	1-1-2017	<u>\$ 17,000</u>	<u>\$</u>	<u>\$ (17,000)</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Business-Type Activities</b>							
\$305,000 Sewage Bonds	6.75%	7-1-2028	<u>\$ 271,000</u>	<u>\$</u>	<u>\$ (5,000)</u>	<u>\$ 266,000</u>	<u>\$ 6,000</u>

# ALLOUEZ TOWNSHIP, MICHIGAN

## Notes to Financial Statements

March 31, 2007

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Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End March 31,</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 6,000	\$ 16,766
2009	6,000	16,384
2010	7,000	15,969
2011	7,000	15,523
2012	8,000	15,045
2013-2017	46,000	66,938
2018-2022	61,000	50,076
2023-2027	85,000	26,934
2028	<u>40,000</u>	<u>2,550</u>
Total	<u>\$ 266,000</u>	<u>\$ 226,185</u>

The total interest expense incurred by the Township during the current fiscal year was \$17,037 and \$297 in its enterprise and governmental funds, respectively.

### IV. Other Information

#### A. Risk Management

The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and employee injuries (workers' compensation), for which the Township carries commercial insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

#### B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

## **Required Supplementary Information**



**ALLOUEZ TOWNSHIP, MICHIGAN****Budgetary Comparison Schedule  
General Fund  
Year ended March 31, 2007**

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	<u>Budgeted Amounts</u> <u>Original &amp; Final</u>	<u>Actual</u>
Beginning Budgetary Fund Balance	\$ 130,783	\$ 130,783
Resources (Inflows):		
Taxes	38,100	43,716
Intergovernmental revenue		
Federal		6,792
State	105,221	106,105
Charges for services	8,600	10,005
Interest & rents	5,850	13,029
Other revenue	<u>2,200</u>	<u>4,863</u>
Amounts Available for Appropriation	<u>290,754</u>	<u>315,293</u>
Charges to Appropriations (Outflows):		
General government	129,500	93,658
Public safety	27,000	22,816
Public works	23,000	21,160
Recreation & culture	19,000	212
Other	14,000	9,248
Capital outlay	<u>          </u>	<u>19,185</u>
Total Charges to Appropriations	<u>212,500</u>	<u>166,279</u>
Ending Budgetary Fund Balance	<u>\$ 78,254</u>	<u>\$ 149,014</u>

**ALLOUEZ TOWNSHIP, MICHIGAN**

**Budgetary Comparison Schedule  
Fire Fund  
Year ended March 31, 2007**

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	<u>Budgeted Amounts</u> <u>Original &amp; Final</u>	<u>Actual</u>
Beginning Budgetary Fund Balance	\$ 51,075	\$ 51,075
Resources (Inflows):		
Taxes	47,000	50,831
Intergovernmental revenue		
State		1,610
Interest	800	1,427
Other revenue	<u>          </u>	<u>200</u>
Amounts Available for Appropriation	<u>98,875</u>	<u>105,143</u>
Charges to Appropriations (Outflows):		
Public safety	6,300	7,420
Debt service		
Principal	17,000	17,000
Interest	<u>1,000</u>	<u>297</u>
Total Charges to Appropriations	<u>24,300</u>	<u>24,717</u>
Ending Budgetary Fund Balance	<u>\$ 74,575</u>	<u>\$ 80,426</u>

**ALLOUEZ TOWNSHIP, MICHIGAN**

**Budgetary Comparison Schedule  
Sanitation Fund  
Year ended March 31, 2007**

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	<u>Budgeted Amounts</u> <u>Original &amp; Final</u>	<u>Actual</u>
Beginning Budgetary Fund Balance	\$ 28,899	\$ 28,899
Resources (Inflows):		
Charges for services	75,598	77,191
Interest	<u>1,025</u>	<u>1,287</u>
Amounts Available for Appropriation	105,522	107,377
Charges to Appropriations (Outflows):		
Sanitation	<u>79,375</u>	<u>87,208</u>
Ending Budgetary Fund Balance	\$ <u>26,147</u>	\$ <u>20,169</u>

## **Other Supplementary Information**

ALLOUEZ TOWNSHIP, MICHIGAN

Combining Balance Sheet  
Nonmajor Governmental Funds  
March 31, 2007

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	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	<u>Recreation</u>	<u>Cemetery</u>	
<b>Assets</b>			
Cash	<u>\$ 7,861</u>	<u>\$ 8,521</u>	<u>\$ 16,382</u>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts payable	\$ 24	\$	\$ 24
<b>Fund Balances</b>			
Unreserved, undesignated	<u>7,837</u>	<u>8,521</u>	<u>16,358</u>
Total Liabilities and Fund Balances	<u>\$ 7,861</u>	<u>\$ 8,521</u>	<u>\$ 16,382</u>

# ALLOUEZ TOWNSHIP, MICHIGAN

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds Year ended March 31, 2007

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	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	<u>Recreation</u>	<u>Cemetery</u>	
<b>Revenues</b>			
Charges for services	\$	\$ 4,000	\$ 4,000
Interest	249	198	447
Other revenue	<u>3,206</u>	<u></u>	<u>3,206</u>
Total Revenues	<u>3,455</u>	<u>4,198</u>	<u>7,653</u>
<b>Expenditures</b>			
Current			
Recreation & culture	2,186		2,186
Cemetery		3,340	3,340
Capital outlay	<u>566</u>	<u>5,185</u>	<u>5,751</u>
Total Expenditures	<u>2,752</u>	<u>8,525</u>	<u>11,277</u>
<b>Net Change in Fund Balances</b>	703	(4,327)	(3,624)
<b>Fund Balances – Beginning</b>	<u>7,134</u>	<u>12,848</u>	<u>19,982</u>
<b>Fund Balances – Ending</b>	<u>\$ 7,837</u>	<u>\$ 8,521</u>	<u>\$ 16,358</u>

## **Federal Program**

## ALLOUEZ TOWNSHIP, MICHIGAN

### **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Board Members  
Allouez Township, Michigan

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Allouez Township, Michigan, as of and for the year ended March 31, 2007 which collectively comprise Allouez Township, Michigan's basic financial statements, and have issued my report thereon dated August 31, 2007. The report on the basic financial statements was qualified because the financial statements do not include the Volunteer Firemen's Fund which should be included in order to conform to accounting principles generally accepted in the United States of America. In addition, the procedures used to collect cash receipts from sales and donations at the park and ice rink and the lack of evidential matter with respect to those cash receipts did not permit me to apply auditing procedures to satisfy myself as to the reasonableness of such cash receipts stated in the accompanying financial statements. Except as discussed in the preceding sentence, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control over Financial Reporting

In planning and performing my audit, I considered Allouez Township, Michigan's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Allouez Township, Michigan's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Allouez Township, Michigan's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Allouez Township, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of



Allouez Township, Michigan's financial statements that is more than inconsequential will not be prevented or detected by Allouez Township, Michigan's internal control. I consider the deficiencies described in the accompanying schedule of findings and responses as items 07-01 and 07-02 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Allouez Township, Michigan's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I consider item 07-01 to be a material weakness.

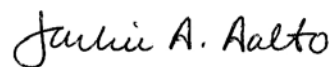
### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Allouez Township, Michigan's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to the management of Allouez Township, Michigan in a separate letter dated August 31, 2007.

Allouez Township, Michigan's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. I did not audit Allouez Township, Michigan's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the board membership, management, federal and state awarding agencies, and, if applicable, pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Jackie A. Aalto, CPA

Calumet, Michigan  
August 31, 2007

**ALLOUEZ TOWNSHIP, MICHIGAN**

**Schedule of Findings and Responses**

**Year Ended March 31, 2007**

**FINDINGS – FINANCIAL STATEMENT AUDIT**

**SIGNIFICANT DEFICIENCIES**

**07-01 Ability to Prepare Financial Statements**

*Finding:* Management is unable to produce financial statements in accordance with accounting principles generally accepted in the United States of America.

*Response:* Due principally to the small size of the Township and the limited funds available to the Township, the hiring of accounting personnel capable of writing the Township's financial statements and footnotes in accordance with accounting principles generally accepted in the United States of America is cost prohibitive.

**07-02 Lack of Segregation of Duties**

*Finding:* Lack of segregation of duties exists in the accounting function due to the limited number of accounting personnel.

*Response:* As noted above, due to the small size of the Township and the limited funds of the Township, management is unable to employ the number of accounting personnel to attain an adequate separation of duties between management functions, accounting functions and custody of the Township's assets. To the extent possible, duties are allocated between accounting personnel to mitigate risk of material misappropriation of assets. In addition, the Township Board assumes a higher level of oversight responsibilities to mitigate risks related to this lack of segregation of duties.

## Board Members

Allouez Township, Michigan

In planning and performing my audit of the financial statements of Allouez Township, Michigan as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, I considered Allouez Township, Michigan's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, I do not express an opinion on the effectiveness of the Township's internal control.

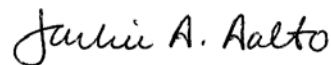
My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, I identified certain deficiencies in internal control that I consider to be significant deficiencies and one deficiency that I consider to be a material weakness. Please refer to the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards* for reference to the significant deficiencies and material weakness identified. Certain other matters related to operational or administrative efficiencies and improvements to internal controls are following.

1. P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the current fiscal year the Township incurred expenditures which were in excess of the amounts appropriated by \$417, \$7,833 and \$4,149 in the Fire, Sanitation and Cemetery Funds, respectively. It is recommended that the Township monitor expenditures against adopted budgets and make appropriate budget amendments.
2. The Township has been notified by the State Tax Commission that the assessment administration practices, procedures and records are in substantial noncompliance with the provisions of the 1963 Michigan Constitution (as amended), the General Property Tax Act (PA206 of 1893, as amended) and State Tax Commission policies and procedures. The State Tax Commission has established requirements for the Township to rectify this noncompliance and has instructed the Township that a reappraisal is to be completed in time for the 2008 assessment roll. I recommend that the Township review the progress made on the reappraisal to ensure compliance with the State's requirements.
3. The Township operates a volunteer fire department. Because the department is not a separate legal entity and any fundraising is done in the name of the Township, I recommend that all financial activity of the fire department be reported in the Township's fire department.
4. At March 31 2007, the Township's bank balance was \$435,804; \$122,919 of this amount was uninsured. I recommend that the Township review its investment policy and procedures to determine if there could be alternative investment strategies that would yield higher investment returns and also allow for FDIC protection.
5. Adopt a written resolution to authorize payments prior to approval to avoid finance or late charges and to pay appropriated amounts and payroll.

6. In order to keep the Township's management informed regarding State of Michigan regulations, below is a list of examples of illegal or unauthorized expenditures as defined in the Bulletin for Audits of Local Units of Government in Michigan as revised (Appendix H). I recommend that the Township's management familiarize themselves with this list in order to prevent the potential for illegal or unauthorized expenditures.
- Contributions to churches, veterans, nonprofit organizations.
  - Payment of funeral expense for a person injured on government property.
  - Donations to a private ambulance or EMS service not under contract with the governmental unit.
  - Donations, including use of property or equipment to Little League, Scouts, Big Brothers/Sisters.
  - Donations to community organizations.
  - Expenses for private road constructions or maintenance.
  - Office refreshments, picnics.
  - Presents to officials and employees or retirement recognitions events.
  - Flowers to the sick or departed.
  - Mileage of officials and employees to and from their residences to the Township.
  - Extra compensation unless for part of the initial salary resolution or authorized under statutory procedures for an increase in salary.
7. During 2006, the federal courts deemed the federal excise tax on phone bills to be unconstitutional. They passed a ruling that all entities that paid the excise tax would be eligible for a refund of taxes paid between 2003 and 2006. The board members should assess the amounts of tax paid to determine if filing for a refund is warranted.

This communication is intended solely for the information and use of the board membership, management, federal and state awarding agencies, and if applicable, pass-through entities, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

I would like to thank the Township personnel for their courtesy and assistance during the audit. I appreciate the opportunity to serve as your auditor. If there are any questions about your financial report or the above comments and recommendations, I would be happy to discuss them at your convenience.



Jackie A. Aalto, CPA

Calumet, Michigan  
August 31, 2007